



# **Global Investments Limited**

**(GIL or the Company)**

## **FY2019 Financial Results**

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# AGENDA

## **1. Financial Highlights**

2. Corporate Overview

3. Portfolio Overview

4. Outlook

# 1. Key Financial Highlights for 4Q 2019

## Net Profit/(loss) after tax

	4Q 19 S\$m	4Q 18 S\$m	Change (%)	Remarks
Net profit/(loss) after tax	3.5	(0.9)	Nm <sup>1</sup>	The Company and its subsidiaries (the Group) reported a profit after tax of S\$3.5 million in 4Q 2019 as compared to a loss of S\$0.9 million recorded in 4Q 2018.

## Income

	4Q 19 S\$m	4Q 18 S\$m	Change (%)	Remarks
Dividend Income	0.1	0.1	-	The Group reported an income of S\$6.5 million in 4Q 2019, about 21.7 times of the S\$0.3 million recorded in 4Q 2018. The higher income recorded during the current quarter was mainly due to a net fair value gain on financial assets at fair value through profit or loss (FVTPL) of S\$2.8 million as compared to a loss of S\$13.1 million recorded in 4Q 2018. The loss recorded in 4Q 2018 was slightly offset by net foreign exchange gain of S\$9.6 million.
Interest Income	3.5	3.7	(5.4)	
Net foreign exchange gain (net of hedges)	-	9.6	Nm <sup>1</sup>	
Net gain/(loss) on financial assets at fair value through profit or loss	2.8	(13.1)	Nm <sup>1</sup>	
<b>Total income</b>	<b>6.5</b>	<b>0.3</b>	<b>2066.7</b>	

<sup>1</sup> Nm: not meaningful

# 1. Key Financial Data for 4Q 2019

## Expenses

	4Q 19 S\$m	4Q 18 S\$m	Change (%)	Remarks
Management fees	0.6	0.5	20.0	Expenses in 4Q 2019 increased to S\$2.9 million from S\$1.2 million in the comparative quarter. This was mainly due to an incentive fee of S\$1.3 million charged for 2H 2019 as well as a net foreign exchange loss of S\$0.4 million recorded during the quarter.
Incentive fees	1.3	-	Nm <sup>1</sup>	
Net foreign exchange loss (net of hedges)	0.4	-	Nm <sup>1</sup>	
Other operating expenses	0.6	0.7	(14.3)	
<b>Total expenses</b>	<b>2.9</b>	<b>1.2</b>	<b>141.7</b>	
Profit/(loss) before tax	3.5	(0.9)	Nm <sup>1</sup>	
Income tax expense	- <sup>2</sup>	- <sup>2</sup>	-	
<b>Profit/(loss) after tax</b>	<b>3.5</b>	<b>(0.9)</b>	<b>Nm<sup>1</sup></b>	

<sup>1</sup> Nm: not meaningful

<sup>2</sup> Denotes amount less than S\$0.1m

# 1. Key Financial Data for 4Q 2019

## Total comprehensive income

	4Q 19 S\$m	4Q 18 S\$m	Change (%)	Remarks
Other comprehensive income				There was no other comprehensive income for the quarter as compared to a translation loss of S\$9.8 million in 4Q 2018.
Items that may be reclassified subsequently to profit or loss				
Currency translation differences arising from consolidation				
- Loss	-	(9.8)	Nm <sup>1</sup>	
<b>Other comprehensive income for the period after tax</b>	-	<b>(9.8)</b>	<b>Nm<sup>1</sup></b>	
<b>Total comprehensive income for the period attributable to shareholders</b>	<b>3.5</b>	<b>(10.8)</b>	<b>Nm<sup>1</sup></b>	Total comprehensive income for the Group was S\$3.5 million versus a loss of S\$10.8 million recorded in the same quarter last year.
<b>Basic earnings per share (cents per share)</b>	<b>0.21</b>	<b>(0.05)</b>	<b>Nm<sup>1</sup></b>	The Group achieved earnings per share of 0.21 Singapore cents (based on weighted average number of shares of 1.70 billion) in 4Q 2019 compared to a loss of 0.05 Singapore cents (based on weighted average number of shares of 1.72 billion) in 4Q 2018.
<b>Diluted earnings per share (cents per share)</b>	<b>0.21</b>	<b>(0.05)</b>	<b>Nm<sup>1</sup></b>	

<sup>1</sup> Nm: not meaningful

# 1. Key Financial Highlights for FY 2019

## Net Profit after tax

	FY 19 S\$m	FY 18 S\$m	Change (%)	Remarks
Net profit after tax	19.7	7.3	169.9	For the year ended 31 December 2019, the Group reported a net profit after tax of S\$19.7 million, about 2.7 times of the S\$7.3 million recorded last year.

## Income

	FY 19 S\$m	FY 18 S\$m	Change (%)	Remarks
Dividend Income	1.7	1.6	6.3	The Group reported an income of S\$26.0 million for the year, 116.7% higher than S\$12.0 million recorded last year. The higher income was mainly contributed by a net fair value gain on FVTPL of S\$9.9 million versus a net fair value loss of S\$22.4 million last year. The loss recorded in 2018 was slightly offset by a net foreign exchange gain of S\$11.1 million and S\$6.8 million settlement proceeds received from the BBRNA litigation.
Interest Income	14.4	14.9	(3.4)	
Net foreign exchange gain (net of hedges)	-	11.1	Nm <sup>1</sup>	
Net gain/(loss) on financial assets at fair value through profit or loss	9.9	(22.4)	Nm <sup>1</sup>	
Other income	-	6.8	Nm <sup>1</sup>	
<b>Total income</b>	<b>26.0</b>	<b>12.0</b>	<b>116.7</b>	

<sup>1</sup> Nm: not meaningful

# 1. Key Financial Data for FY 2019

## Expenses

	FY 19 S\$m	FY 18 S\$m	Change (%)	Remarks
Management fees	2.3	2.2	4.5	Expenses for the current year was higher at S\$6.1 million as compared to S\$4.6 million recorded last year. This was mainly due to an incentive fee of S\$1.3 million charged for 2H 2019 as well as a net foreign exchange loss of S\$0.4 million.
Incentive fees	1.3	-	Nm <sup>1</sup>	
Net foreign exchange loss (net of hedges)	0.4	-	Nm <sup>1</sup>	
Other operating expenses	2.0	2.4	(16.7)	
<b>Total expenses</b>	<b>6.1</b>	<b>4.6</b>	<b>32.6</b>	
Profit before tax	19.9	7.4	168.9	
Income tax expense	0.1	0.1	-	
<b>Profit after tax</b>	<b>19.7</b>	<b>7.3</b>	<b>169.9</b>	

<sup>1</sup> Nm: not meaningful



# 1. Key Financial Data for FY 2019

## Total comprehensive income

	FY 19 S\$m	FY 18 S\$m	Change (%)	Remarks
Other comprehensive income				There was no other comprehensive income for the year as compared to a translation loss of S\$11.1 million in the comparative year.
Items that may be reclassified subsequently to profit or loss				
Currency translation differences arising from consolidation				
- Loss	-	(11.1)	Nm <sup>1</sup>	
<b>Other comprehensive income for the period after tax</b>	<b>-</b>	<b>(11.1)</b>	<b>Nm<sup>1</sup></b>	
<b>Total comprehensive income for the period attributable to shareholders</b>	<b>19.7</b>	<b>(3.8)</b>	<b>Nm<sup>1</sup></b>	Total comprehensive income for the Group was S\$19.7 million as compared to a loss of S\$3.8 million recorded last year.
<b>Basic earnings per share (cents per share)</b>	<b>1.16</b>	<b>0.43</b>	<b>169.8</b>	The Group achieved earnings per share of 1.16 Singapore cents (based on weighted average number of shares of 1.70 billion) for the year ended 31 December 2019 compared to 0.43 Singapore cents (based on weighted average number of shares of 1.69 billion) for the year ended 31 December 2018.
<b>Diluted earnings per share (cents per share)</b>	<b>1.16</b>	<b>0.43</b>	<b>169.8</b>	

<sup>1</sup> Nm: not meaningful

# Statement of Financial Position

	Group as at 31 Dec 2019 S\$'m	Group as at 31 Dec 2018 S\$'m	Change %	Remarks
<b>Assets</b>				
<b>Non-current assets</b>				
Financial assets at fair value through profit or loss	198.7	220.5	(9.9)	The decrease was mainly due to disposal/redemption of financial assets, slightly offset by an overall increase in market prices during the year.
<b>Total non-current assets</b>	198.7	220.5	(9.9)	
<b>Current assets</b>				
Cash and cash equivalents	40.9	35.4	15.5	The increase was due to the net proceeds received from the disposal/redemption of financial assets during the year.
Financial assets at fair value through profit or loss	79.9	63.3	26.2	Comprised investments in listed equities, bank contingent convertibles, China domestic bonds and bonds maturing within a year.
Other assets	4.1	4.2	(2.4)	Comprised interest and dividend receivable.
<b>Total current assets</b>	125.0	102.9	21.5	
<b>Total Assets</b>	<b>323.7</b>	<b>323.4</b>	<b>0.1</b>	
<b>Liabilities</b>				
Other liabilities	2.8	1.2	133.3	Comprised fees payable to the Manager and accrual of operating expenses.
<b>Total Liabilities</b>	<b>2.8</b>	<b>1.2</b>	<b>133.3</b>	
<b>Net assets attributable to shareholders</b>	<b>320.9</b>	<b>322.2</b>	<b>(0.4)</b>	
<b>Equity</b>				
Share capital	266.6	270.8	(1.6)	Reduction in share capital was mainly due to the purchase of treasury shares
Capital reserve	- 1	-	-	
Retained earnings	54.3	51.4	5.6	
<b>Total equity</b>	<b>320.9</b>	<b>322.2</b>	<b>(0.4)</b>	
<b>Net asset value per share (S\$ per share)</b>	<b>0.1895</b>	<b>0.1869</b>	<b>1.4</b>	

<sup>1</sup> Denotes amount less than S\$0.1m

# Statement of Financial Position

## Net asset value

	FY 19	FY 18	Change (%)	Remarks
Net asset value per share (S\$ per share)	0.1895	0.1869	1.4	The net asset value per share of the Group as at 31 December 2019 was 18.95 Singapore cents after the payment of 2018 final dividend and 2019 interim dividend, each of 0.50 Singapore cents per share. If the 2018 final dividend was paid and the treasury shares relating to the Scrip Dividend Scheme had been utilised before 31 December 2018, the net asset value per share as at 31 December 2018 would have been 18.20 Singapore cents instead of 18.69 Singapore cents per share. After adjusting for the 2019 interim dividend and balance treasury shares, the net asset value per share as at 31 December 2019 would have been 19.35 Singapore cents and the increase in net asset value per share would be 6.3%.
	0.1935 (after adjustment for 2019 interim dividend paid and treasury shares relating to the Scrip Dividend Scheme)	0.1820 (after adjustment for 2018 final dividend paid and treasury shares relating to the Scrip Dividend Scheme)	6.3	

## Dividend

	FY 19 S\$m	FY 18 S\$m	Change (%)	Remarks
Interim Dividend	8.4	8.5	-	Together with the interim dividend of 0.5 Singapore cents per share paid in October 2019, total dividend for the financial year ended 31 December 2019 will be 1.0 Singapore cents per share.
Final Dividend	8.5 (Proposed)	8.4		

# Statement of Financial Position

## Return on Equity

	FY 19 %	FY 18 %	Change (%)	Remarks
Return on Equity	6.1	2.2	177.3	The Group achieved a higher return on equity (computed based on net profit after tax over the average total equity) of 6.1% in 2019 as compared to 2.2% in 2018 due to higher profit after tax.

## Earnings per Share

	FY 19 cts	FY 18 cts	Change (%)	Remarks
Earnings per Share	1.16	0.43	169.8	The Group achieved earnings per share of 1.16 Singapore cents (based on weighted average number of shares of 1.70 billion) for the year ended 31 December 2019 compared to 0.43 Singapore cents (based on weighted average number of shares of 1.69 billion) for the year ended 31 December 2018.

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## 2. Corporate Overview

### ❑ Awards

- ❑ GIL was the Winner of the Singapore Corporate Governance Award in the small cap category at the SIAS 20th Investors' Choice Awards Dinner Presentation Ceremony held on 26 September 2019. SIAS together with its industry partners, annually rate the best performing listed companies in governance and transparency for the benefit of investors.

### ❑ 2019 Dividends

- ❑ Interim dividend for FY2019 of 0.50 Singapore cents per share was paid on 10 October 2019.
  - The Company transferred 36,413,936 treasury shares for the allotment of shares at an issue price of 13.4 Singapore cents per share.
  - The proportion of the total interim dividend amount issued as shares pursuant to the Scrip Dividend Scheme was approximately 57.87%.
- ❑ For the final dividend of 2019, the Company recommended a payout of 0.50 Singapore cents per share.
- ❑ The Scrip Dividend Scheme will be applied to the final dividend of 0.50 Singapore cents per share for FY2019.
- ❑ Based on closing share price of 14.2 Singapore cents on 31 December 2019, the full year dividend paid of 1.00 Singapore cents per share represented an annual dividend yield of 7.04%.

## 2. Corporate Overview

- ❑ **Reconstitution of the Audit and Risk Management Committee and Nomination and Governance Committee**
  - ❑ Mr Ronald Seah Lim Siang was appointed as a member of the Nomination and Governance Committee on 12 November 2019 and relinquished his position as a member of the Audit and Risk Committee.
  - ❑ Mrs Goh Mui Hong was appointed as a member of the Audit and Risk Committee on 12 November 2019.
  - ❑ Mr Boon Swan Foo relinquished his position as a member of the Nomination and Governance Committee on 12 November 2019.

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### 3. Portfolio Composition (By Asset Class\*)

Asset Class	As At 31 December 2019	As At 31 December 2018	Change In Percentage Point
Listed Equities	13.4%	14.7%	▼ 1.3
Bank Contingent Convertibles	43.4%	35.8%	▲ 7.6
Loan Portfolio And Securitisation Assets	4.8%	5.9%	▼ 1.1
China Domestic Bonds	12.2%	17.3%	▼ 5.1
Other Bonds	13.0%	14.4%	▼ 1.4
Cash And Other Assets	13.2%	11.9%	▲ 1.3

\* Percentage of the Company's Net Asset Value.

### 3. Portfolio Composition (By Currency Exposure\*)

Currency	As At 31 December 2019	As At 31 December 2018	Change In Percentage Point
SGD	25.8%	24.1%	▲ 1.7
USD	32.1%	29.4%	▲ 2.7
CNH/CNY	19.2%	20.5%	▼ 1.3
HKD	8.6%	10.0%	▼ 1.4
EUR	6.3%	6.3%	-
AUD	5.9%	7.8%	▼ 1.9
OTHERS	2.1%	1.9%	▲ 0.2

\* Percentage of the Company's Net Asset Value.

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# 4. Outlook

## Listed Equities

- ❑ In 4Q 2019, the MSCI All Country Asia ex-Japan Index increased by 9.78% and 6.91%, in USD terms and SGD terms respectively.
- ❑ Easing of trade tensions between US and China following the “Phase One” trade agreement drove bullish sentiments. Both China and global manufacturing Purchasing Manager Indices also rose, reflecting effects of a virtuous cycle following more positive sentiments. However, yet another uncertainty has surfaced with the novel coronavirus outbreak in Wuhan. Short-term selling pressure is expected as severity and extent of this epidemic is still unclear. Also, with the US presidential elections happening this year, there is further uncertainty in terms of economic policies and trade relations.

## Bank Contingent Convertibles

- ❑ Lower forward guidance of net interest margins was offset by ongoing improvements in asset quality and capital build. Extension risk concerns have been reduced with issuers proactively pre-financing AT1s before they come to first call, as spreads tightened below reset spreads over the course of 2019. Potential risk weighted asset inflation continued to be a headwind for investors within the sector, driven by regulatory developments.
- ❑ The restarting of quantitative easing by ECB and the negative sovereign yield curves in Europe are likely to provide technical support for the CoCo asset class against political risk from Brexit related developments and a weakening economic outlook in 2020.

## 4. Outlook

### Loan Portfolio and Securitization Assets

- ❑ CLO debt spreads remained wide in 2019 due to investor preference for fixed rate vs floating rate securities along with a decline in loan fundamentals. Trailing 12-month loan defaults of 1.3% as of December continued to remain below long-term averages, while leverage ratios of underlying issuers increased slightly with a decline in rating mix. Looking forward, despite lower CLO supply expected in 2020, CLO debt spreads will face headwinds as investor sentiments remain cautious on late cycle concerns.
- ❑ In the Australia RMBS space, dwelling values nationally showed early signs of recovery in 2019, driven largely by regulatory easing and rate cuts. S&P's Australian SPIN report as of October showed a steady level of 30+ days' prime arrears and a notable fall in its non-conforming arrears index. Muted wage growth and still high household leverage may moderate expectations of a sustained recovery in housing prices in 2020.

### China Domestic Bonds

- ❑ 2019 was a record year for China bond defaults in terms of both number of issuers and notional value but credit spreads continued to tighten as demand for yield remained strong. As a result, the year also saw a strong supply of new issuances as corporates issuers took advantage of lower interest rates and tighter yields, while also extending their debt maturities.
- ❑ 2020 is likely to see even greater number of defaults in the face of a slowing economy, as well as added pressure from the novel coronavirus outbreak. A number of high-profile defaults of state-owned enterprises towards the end of 2019 also imply more selective government support for troubled firms, which will further emphasize the trend of credit differentiation.

# 4. Outlook

## Other Bonds

- ❑ Credit spreads tightened across ratings and currencies in 2019, and especially so in the month of December following the “Phase One” trade agreement between US and China. High-yield bond yields touched a 5-year low, while also being significantly lower than the historical 5-year average.
- ❑ Moody’s noted that the rally of high-yield bonds had occurred despite the lack of any observable broad-based acceleration of either business sales or corporate earnings. Given the relatively narrow credit spreads, investment risk within high-yield bonds is amplified. Credit selection becomes increasingly important, and investors will likely deploy capital towards riskier assets selectively while looking for relative value across segments.

## Summary

- ❑ In view of increased volatility in the financial markets and slowing economic growth, investors should maintain heightened vigilance and monitor some of the events that could cause market turbulence such as:
  - Re-escalation in trade tensions between US and China
  - Political risk, particularly Brexit transition and a potential surprise US election outcome
  - The future direction of major central banks’ monetary policies on interest rate path and

# 4. Outlook

## ❑ **Future Direction and Growth Strategy of GIL**

- ❑ To grow its assets and seek new investments that will generate steady income and potential appreciation in capital to deliver regular dividends and achieve capital growth.
- ❑ Active management of GIL's assets with focus on optimizing risk-adjusted asset returns.

## ❑ **Investment Objective**

- ❑ To seek investment opportunities in high yield credits, hybrid instruments, public and private equities, operating lease assets and securitisation assets.
- ❑ The Company will be selective and focus on fundamental bottom-up analysis, with preference for assets with defensive characteristics, and good cash flow generating ability.